

Interim report for AudioDev AB

January 1 – June 30, 2007

(Figures in brackets relate to January-June 2006)

- Net sales totalled SEK 68.3 (55.3) million.
- Profit after financial items was SEK -27.0 (-23.6) million.
- Profit for the period was SEK -19.3 (-16.0) million.
- Profit per share was SEK -1.15 (-0.96).
- The integration costs have negatively impacted profit by SEK 3.6 million.
- The backlog of orders was SEK 11.1 (7.4) million at the end of the period.
- Steag ETA-Optik GmbH, which was acquired on February 8 from HamaTech AG, has changed name and is now part of the AudioDev Group as AudioDev GmbH.

Note: AudioDev GmbH is consolidated into the Group from the acquisition and day of possession on February 8 and is thereby included in the figures for 2007 from this date.

AudioDev is a world leading supplier of complete solutions for quality control of optical media. The group's products for quality assurance and production efficiency are marketed under the brands ETA™, CATS™ and GO!™. The customer base includes companies involved in the manufacturing of optical media, flat screens and other industrial applications where thin layers need to be checked for quality with respect to colour determination, measuring thickness and density. AudioDev offers a complete package including high precision analyzers, analyzers for production control, extensive customer support, training and TestCenters across the world.

Net sales in 2006 were SEK 105 million with the largest markets being in the US, Asia and Europe. The head office is based in Malmö, Sweden. AudioDev has been listed on the OMX Nordic Exchange Stockholm since September 2000.

A technologically-oriented niche company with a world-leading status.

Since its start in 1987, AudioDev has reached a position of being a world-leading manufacturer of test equipment for quality control of optical media such as CD, DVD, BD (Blu-ray Disc) and HD DVD (High Density DVD).

Based on its leading market position in optical media, a cornerstone of the company's strategy is exploiting new segments such as blue-laser that generate good profitability.

Moreover, growth is to be secured by expanding the market for AudioDev's technology. This is achieved partly through the development of core activities and partly through the acquisition of closely related businesses.

In February 2007 AudioDev acquired the German company Steag ETA-Optik, a company with extensive technological expertise in measuring techniques and spectrometry. The company has changed name during the period to AudioDev GmbH. The product range includes both in-line and off-line analyzers, which complements AudioDev's products. In addition, the company has products for applications outside of optical media.

All in all these new products represent a platform for continued growth and AudioDev intends to continue exploiting AudioDev GmbH's core technologies.

Following the acquisition, AudioDev is now active in industries such as optical media manufacturing, flat screen and other industrial applications where thin layers need to be checked for quality with respect to colour determination, measuring thickness and density etc. The group's products for quality assurance and production efficiency are marketed under the brands ETA™, CATS™ and GO!™. AudioDev offers a complete package with high precision analyzers, analyzers for production control, including customer support, training and TestCenters across the world.

Growth in blue-laser and new product ranges.

The optical media industry has continued to be characterised by limited investment in production and test equipment with respect to the traditional formats DVD and DVD-R/RW.

Growth in optical media is being driven primarily by the new High Definition formats BD and HD DVD. In the initial stage, distribution of films and games, pre-recorded media, for HD-TV is the most robust driving force for growth. A growing need for storage for film and data, recordable media, is expected to drive growth in the second stage. Sales of production and test equipment for these formats are expected to increase gradually in line with the increase in volume of produced discs.

AudioDev has continued to take strategically important orders in the blue-laser formats where the manufacturers of discs for film have now made initial investments in manufacturing capacity. The period has seen orders taken from industry leading companies such as Cinram and Technicolor, along with other strategically important manufacturers. AudioDev sees a continued positive outlook in both market development and the company's market position.

In addition to the development of the blue-laser based formats, AudioDev assesses that the market for optical media as a whole is entering a more mature phase. For AudioDev, the company's Malmö based operations is expected to remain at the current level of sales until the blue-laser market starts to seriously gain momentum.

AudioDev GmbH has during the period received a second order for inspection equipment for the metallized barrier coatings on packaging material for the food industry. The barrier coatings serve to guarantee the freshness and extend the lifetime of the packed goods in the stores.

The work of utilising interesting business areas where AudioDev GmbH's technology can be used for precision measuring – for example for flat panel displays – will be intensified in the third and fourth quarters.

AudioDev expects to see a profit from 2008 as a result of these intensified marketing and sales initiatives.

Cost reducing measured continue. Integration work soon complete.

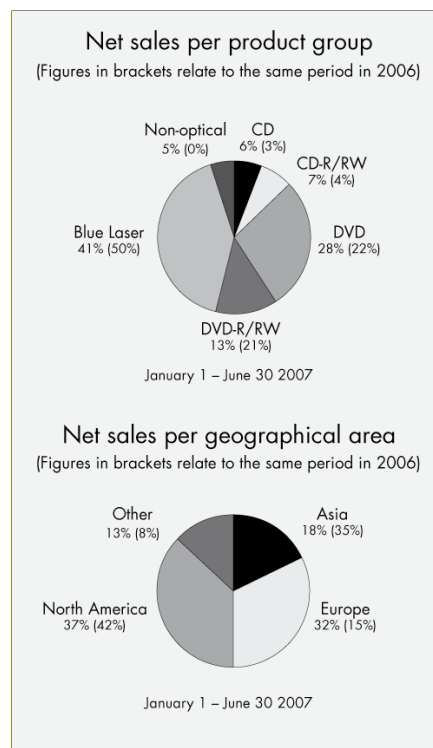
Working on identifying and initiating additional savings has continued in the period in order to adapt the business as far as possible to match the prevailing conditions. Despite previously implemented cost reducing measures, results for the period are weak. The reason for this is the continued investment in the development of blue-laser testers, necessary in order to secure its leading position in blue-laser. At the same time, investments remain low in the market, affecting the demand for our testers negatively. Furthermore, profit has been hit by the integration of AudioDev GmbH.

AudioDev intends to intensify its savings programme with the aim of achieving profitability at the current level of sales within 2-3 quarters.

The integration of AudioDev GmbH has run according to plan and will be completed in the third quarter of 2007.

As AudioDev's sales network now has access to AudioDev GmbH's product range, the market presence in these products has increased substantially in the strategically important markets of China, Taiwan, Japan and the US, where AudioDev already has established distribution channels. AudioDev assesses that the company's increased product range in these markets will have a positive impact on company sales from the third quarter 2007.

AudioDev GmbH was consolidated in the Group from the acquisition date and day of possession on February 8 and is thereby included in the figures for 2007 from this date.



New orders and backlog

New orders for the period totalled SEK 68.6 (50.6) million, of which AudioDev GmbH accounted for SEK 11.5 million. The backlog of orders was SEK 11.1(7.4) million at the end of the period. SEK 3.9 million of these are attributable to AudioDev GmbH.

Sales

Net sales totalled SEK 68.3 (55.3) million, of which SEK 12.5 million is attributable to AudioDev GmbH.

About 40 % of sales for the period were made up of analyzers for the blue-laser formats, BD and HD DVD, while the remaining share was primarily made up of sales of analyzers for DVD and DVD-R/RW (see diagram). Sales of CD analyzers represented around 12 % of sales, which is an increase that is mainly attributable to AudioDev GmbH sales. Even if variations between quarters can easily arise (the order value for a blue-laser analyzer is up to three times as high as for a DVD analyzer) the distribution is generally in line with expectations for the period.

The geographical distribution normally shows significant variations between the quarters. The increase in Europe can partially be attributed to AudioDev GmbH.

Profit and margins

Gross profit for the period was SEK 29.5 (25.0) million, which equates to a gross margin of 43.2 % (45.3 %). Of this profit, SEK 2.8 million is attributable to AudioDev GmbH.

Of the increased sales expenses, SEK 0.9 million comes from increased commissions and SEK 2.2 million are AudioDev GmbH's sales expenses.

Around SEK 3.6 million of the administration costs relate to integration costs.

The 'Other operating earnings/ expenses' item includes the impact of currency fluctuations on operations.

Profit after financial items was SEK -27.0 (-23.6) million. For this level of profit, profit shares from the associated company AudioDev FarEast are included as SEK 0.7 (0.8) million. Of this profit, SEK -8.2 million was attributable to AudioDev GmbH.

Profit after tax for the period totalled SEK -19.3 (-16.0) million, of which SEK -5.7 million came from AudioDev GmbH. The profit margin was -28.3 % (-29.0 %).

Financial position

Liquid assets amounted to SEK 57.4 (120.4 at turn of year) million as of June 30, 2007. Returns on the above were SEK 1.2 (2.1) million and are included in the net financial income.

Group financial costs amounted to SEK 0.0 (0.0) million for the period. The equity/assets ratio at June 30, 2007 was 85.4% (87.0 %). Group equity was SEK 188.1 (280.1) million at the end of the period.

Cash flow and investments

The Group showed a negative cash flow from current operations of SEK -37.9 (-42.0) million. Of this figure, SEK 29.4 million comes from regular operations and SEK 8.5 million is due to increased capital accumulation in the form of increased inventory and reduced liabilities. The increase in inventory is due to the need to stock critical main components in an effort to ensure future sales. Cash flow for the period was SEK -63.0 (-84.2) million.

On February 8 a purchase price of EUR 3.25 million was paid for Steag ETA-Optik, of which EUR 0.6 million was used to repay loans from shareholders.

The acquisition value for AudioDev GmbH is still to be finalised but is estimated at SEK 24.4 million with a recorded goodwill value of SEK 1.4 million.

Group gross investments in tangible assets have been made at SEK 2.6 (1.3) million for the period. Investments are mainly related to computer and measuring equipment.

Personnel

The average number of employees for the period was 113 (101). The number of full-time employees at the Group at the end of the period was 111 (82 at the end of 2006). Of these, 36 are employees at AudioDev GmbH in Germany.

The parent company

Net sales for the parent company totalled SEK 52.4 (46.2) million. Profit after financial items was SEK -17.6 (-27.3) million.

Investments in tangible fixed assets totalled SEK 1.7 (1.2) million. Disposable liquid assets totalled SEK 50.9 (116.1 at the end of 2006) million.

Trend for second quarter

New orders

New orders for the second quarter totalled SEK 33.8 (25.7) million, of which AudioDev GmbH accounted for SEK 5.9 million. New orders are predominantly in blue-laser analyzers.

Sales

Net sales totalled 35.1 (23.4) million, of which SEK 8.0 million is attributable to AudioDev GmbH. Sales relate primarily to analyzers for the blue-laser formats.

Profit and margins

Gross profit for the second quarter was SEK 13.8 (8.5) million, which equates to a gross margin of 39.2 % (36.4 %). Of this profit, SEK 2.3 million is attributable to AudioDev GmbH.

Profit after financial items was SEK -16.6 (-16.4) million, of which SEK -6.1 million is attributable to AudioDev GmbH. For this level of profit, the profit shares from associated company AudioDev Far East are included.

Of the increased sales costs SEK 1.4 million comes from AudioDev GmbH's sales expenses.

Around SEK 2.1 million of the administration costs for the quarter relates to integration costs.

The 'Other operating earnings/ expenses' item includes the impact of currency fluctuations on operations.

Profit after tax for the second quarter was SEK -12.0 (-11.4) million, of which SEK -4.3 million is attributable to AudioDev GmbH. The profit margin was -34.1 % (-48.9%).

Cash flow

The Group shows a negative cash flow from current operations of SEK -19.2 (-22.7) million. Of this figure, SEK 17.7 million comes from regular operations and SEK 1.5 million is due to increased capital accumulation in the form of increased inventory and reduced liabilities. The increase in inventory is due to the need to stock critical main components in an effort to ensure future sales. Cash flow for the period was SEK -18.9 (-63.9) million.

Accounting principles

From January 1, 2005 AudioDev prepares its financial reports in accordance with IFRS, which is approved by the EU commission. This interim report is thereby prepared according to IAS 34 Interim reporting. For information on the applied accounting principles, we refer you to the annual report for 2006. The accounting principles are unchanged from those applied in 2006.

Future reports

- October 18, 2007
Interim report, January-September
- February 2008
Accounting report 2007

This accounting report has not been reviewed by the company's auditors.

Malmö, July 19, 2007
AudioDev AB (publ)

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Income Statement (TSEK) *

	April – June 2007	April – June 2006	January – June 2007	January – June 2006	Full year 2006	12 month Rolling
Net sales	35 100	23 351	68 275	55 331	104 564	117 508
Cost of sold goods	-21 330	-14 843	-38 768	-30 283	-66 656	-75 141
Gross profit	13 770	8 508	29 507	25 048	37 909	42 367
Sales expenses	-9 383	-7 404	-19 278	-15 499	-30 178	-33 957
R&D costs	-13 379	-11 183	-24 853	-22 306	-42 890	-45 437
Administration expenses	-8 103	-7 383	-14 157	-13 625	-22 224	-22 756
Other operating earnings/ expenses	-96	14	-57	-108	634	685
Operating profit	-17 191	-17 448	-28 838	-26 490	-56 749	-59 098
Profit from shares in associated companies	83	143	696	838	894	752
Financial net	469	920	1 178	2 010	3 510	2 678
Profit after financial items	-16 639	-16 385	-26 964	-23 642	-52 345	-55 668
Tax for the period	4 657	4 975	7 669	7 595	15 569	8 868
Profit for the period	-11 982	-11 410	-19 295	-16 047	-36 776	-46 801
Profit per share, SEK	-0,72	-0,68	-1,15	-0,96	-2,20	-2,80
Profit per share after full dilution, SEK	-0,70	-0,66	-1,13	-0,93	-2,15	-2,73
No. of shares before dilution, average, thousands	16 716	16 716	16 716	16 716	16 716	16 716
No. of shares after dilution, average, thousands	17 116	17 116	17 116	17 116	17 116	17 116

Balance sheet (TSEK) *

	30/06/07	30/06/06	31/12/06
Assets	22 743	14 118	15 312
Inventories	96 977	60 707	75 426
Accounts receivable	27 121	22 965	18 603
Other receivables	16 118	25 546	5 058
Liquid assets	57 350	147 915	120 368
Total assets	220 309	271 251	234 767
Shareholders' equity	188 118	228 842	206 114
Allocations	0	12 777	0
Current liabilities	32 190	29 632	28 653
Total shareholders' equity and liabilities	220 309	271 251	234 767

Cash flow analysis (TSEK) *

	April – June 2007	April – June 2006	January – June 2007	January – June 2006	Full year 2006	12 month Rolling
Cash flow from current operations before changes in operating capital	-17 750	-21 216	-29 368	-31 694	-46 576	-44 250
Changes in operating capital	-1 451	-1 499	-8 533	-10 336	-22 523	-20 719
Cash flow from current operations	-19 201	-22 715	-37 901	-42 030	-69 097	-64 969
Cash flow from investment operations	-1 006	-416	-26 430	-1 282	-3 116	-28 264
Cash flow from funding operations	1 313	-40 796	1 313	-40 900	-39 545	2 668
Cash flow for the period	-18 894	-63 927	-63 018	-84 212	-111 759	-90 565
Liquid assets at the beginning of the period	76 244	211 842	120 368	232 127	232 127	147 915
Liquid assets at the end of the period	57 350	147 915	57 350	147 915	120 368	57 350

Group equity (TSEK) *

	Share capital	Contributed funds	Other reserves	Accrued funds	Total shareholders' equity
Opening balance at January 1, 2006	8 358	35 310	1 715	160 732	206 114
Exchange rate difference from overseas operations			1 313		1 313
Price diff. profit for the period				-14	-14
Profit for the period				-19 295	-19 295
Closing balance at June 30, 2007	8 358	35 310	3 028	141 422	188 118

Key ratios *

	April – June 2007	April – June 2006	January – June 2007	January – June 2006	Full year 2006
Growth in net sales (%)	50,3%	-58,9%	23,4%	-36,1%	-52,0%
Gross margin (%)	39,2%	36,4%	43,2%	45,3%	36,3%
Operating margin (%)	-49,0%	-74,7%	-42,2%	-47,9%	-54,3%
Margin after financial items (%)**	-47,4%	-70,2%	-39,5%	-42,7%	-50,1%
Profit margin (%)	-34,1%	-48,9%	-28,3%	-29,0%	-35,2%
Depreciation (MSEK)	-1,2	-1,1	-2,4	-2,1	-4,2
Shareholders' equity (MSEK)	188,1	228,8	188,1	228,8	206,1
Capital employed (MSEK)	188,1	228,8	188,1	228,8	206,1
Balance sheet total (MSEK)	220,3	271,3	220,3	271,3	234,8
Rate of return on capital employed (%)	-8,6%	-6,4%	-3,4%	-1,6%	-21,3%
Rate of return on shareholders' equity (%)	-6,2%	-4,5%	-9,8%	-4,4%	-15,0%
Equity/assets ratio (%)	85,4%	84,4%	85,4%	84,4%	87,8%
Capital turnover rate, multiple	0,2	0,1	0,2	0,1	0,4
No. of employees (average for the period)	110	105	113	101	92
Net sales per employee (TSEK)	319	222	604	548	1 137
Operating profit per employee (TSEK)	-156	-166	-255	-262	-617

* *AudioDev GmbH is consolidated into the Group from the acquisition and day of possession on February 8 and is thereby included in the figures for 2007 from this date.*

** *Profit/loss after financial items in percentage of net sales*